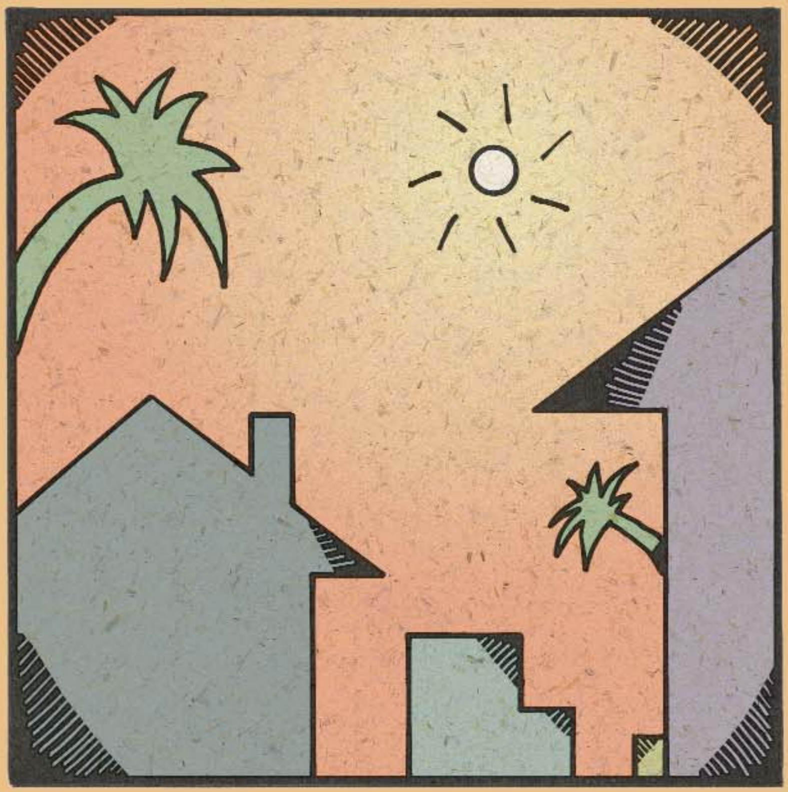


housing

housing

Housing Construction

Preliminary estimates for US housing market conditions indicate that the year 2000 will likely be close to the record breaking 1999. Activity in housing permits and starts was the third best in the past 14 years, behind 1998 and 1999. The total units completed were the second highest in the past 13 years, behind 1999. Sales of both new and existing single-family homes were second best, since records have been kept, behind 1999.

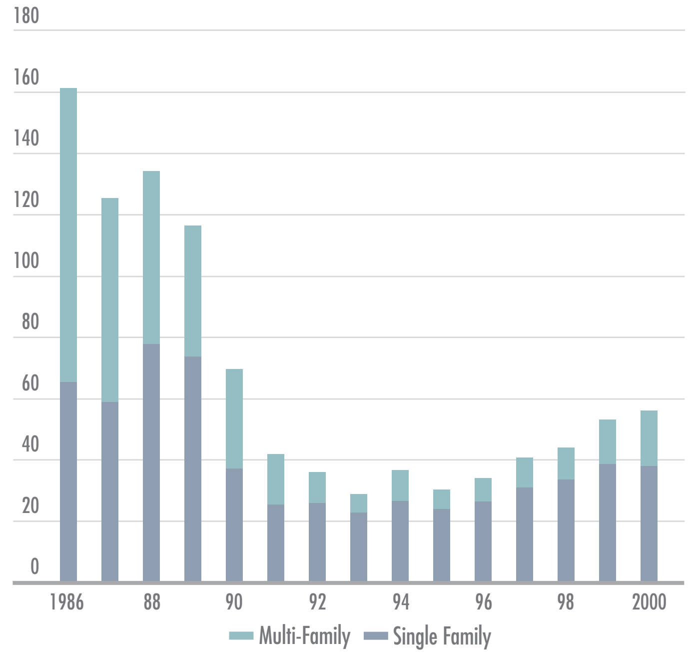
While permit activity for single-family homes was down about five percent from its high 1999 volume in the nation, in California the strong economy supported a four percent increase in home building. This was the fifth consecutive year of increased activity in the state, and the existing home sales volume remained at the 1999 record level. There was a 15 percent increase in multi-family activity in the state during 2000. Growth projections for 2001, however, were reduced as a result of anticipated higher energy costs and power shortages.

>> Housing construction is an important source of employment and corporate profit in the region. Additionally, the availability of reasonably priced housing is one of the key determinants of the region's attractiveness and competitiveness. <<

Figure 9

Residential Building Permit Activity

Units (000)

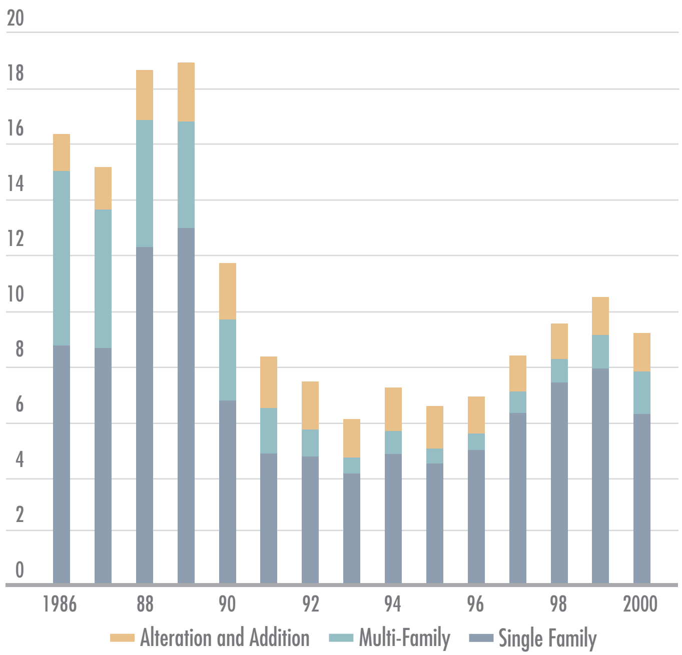


Source: *Construction Industry Research Board*

Figure 10

Residential Building Permit Activity

Valuations (Dollars in Billions)



Source: Construction Industry Research Board

There were 56,000 residential permits issued in 2000 in the SCAG region, compared to 161,000 during the last economic boom in 1986. Overall, the region experienced a 5.4 percent increase in the number of building permits issued in 2000 compared to 1999. The number of permits issued for multi-family unit construction was higher in 2000 than in 1999. There were fewer permits issued for single-family units last year.

Economists are concerned about the growing disparity between the number of jobs created and home building activity. They warn that the growing gap between jobs and houses will damage the economy. An increasing jobs/housing imbalance would force employers to locate in less expensive regions and make it more difficult to attract qualified workers. As the median price of homes in Southern California continues to climb due to the housing shortage, there is increasing over-crowding in existing housing. Workers are faced with the choice to double-up to stay within a reasonable commute to their jobs or endure long commutes.

Some areas in Northern California experienced very tight rental markets last year. The rental vacancy rates in San Francisco and Sacramento were below two percent. In Southern California counties, vacancy rates were approximately five percent in Los Angeles, 3.5 percent in Orange, and just under four percent in Ventura. The highest vacancy rate in the region was eight percent, recorded in the Riverside/San Bernardino area, but the rapid growth in new households was absorbing the vacant units.

In the essay following this section, "Housing Southern California: Smart Growth Strategies for a New Era," Mitchell B. Menzer discusses the housing crisis facing the region and suggests solutions.

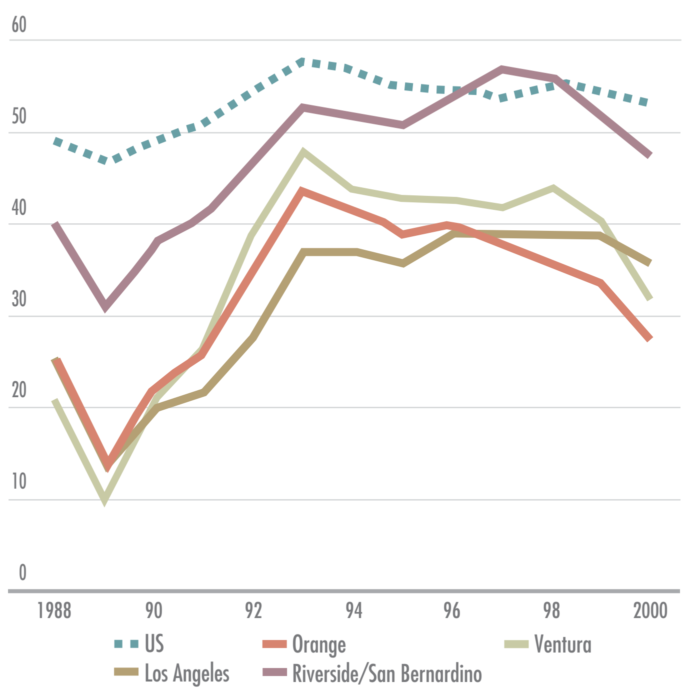
Housing Affordability

>> The affordability and location of quality housing affect a region's ability to maintain a viable economy. Potential employers look at a region's housing affordability when considering relocating or expanding their businesses. >>

Figure 11

Housing Affordability

Percent of Households Who Can Afford to Purchase a Median-Priced Home



Source: *California Association of Realtors*

The California Association of Realtors housing affordability index measures the percentage of households that can afford to purchase a median-priced home in California. According to this index, housing affordability in California fell to 31 percent in 2000, with San Francisco the least affordable county in the state.

Orange County was the least affordable in the region, with only 27 percent of households being able to afford to purchase a median-priced home. Ventura County followed with 32 percent and Los Angeles County with 36 percent. While Riverside and San Bernardino counties were the most affordable in the region, their affordability index (48 percent) was still lower than the nation's (53 percent). Data for Imperial County was not available for this report. The data for the rest of the region show that the other five counties were less affordable in 2000 than the previous year. This lack of availability of affordable housing has resulted in a bidding up of lower-cost units into higher-cost ranges, challenging affordability for many residents.

California accounted for about 70 percent of all million-dollar homes and condominiums sold nationwide in 2000, with over 11,000 homes statewide selling for $1 million or more. The high price in California's luxury home market reflected the widening gap between property values on the high end and the typical home in the state. Overall, the median home prices statewide rose 13 percent in 2000 to a record $209,000. According to an annual housing survey by the California Association of Realtors, higher home prices and affordability concerns pushed some home-buyers, especially at the lower and moderate end of the market, into lower-priced housing alternatives.

Homeownership

The nation's homeownership rate set a new annual record in 2000, with 67 percent of American households owning their homes. In California, the number of homeowners amounted to 57 percent of all households in the state, the highest rate since the Census Bureau began maintaining annual figures in 1984. The ownership level grew even as home prices in California were at an all-time high. Despite the increased ownership level, however, California still has one of the nation's lowest homeownership rates. Only New York and Hawaii have lower ownership rates. And compared to other metropolitan areas across the nation, Southern California is ranked near the bottom in terms of homeownership levels.

After a strong increase in home sales in the region during 1999, the housing market leveled off in 2000. Los Angeles, Orange, and Ventura counties reported small decreases in home sales in 2000 compared to the previous year, while Riverside and San Bernardino counties posted gains of 9.1 percent and 5.6 percent respectively. (Data are not available for Imperial County.) Although unemployment hit record lows, incomes rose, and stock gains in the technology sector provided many people with down payments, successive interest rate hikes by the Federal Reserve slowed down home sales. Approximately 221,400 single-family homes and condos were sold last year in Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. (Table 8.)

In spite of achieving a less-than-anticipated performance in 2000, Southern California home sales count was the highest since 1989, according to DataQuick, a provider of property and land data. Mortgage rates remained at an affordable level in historical terms, and there were a variety of packages designed to assist purchasers, such as zero down payment loans and mortgages that cover closing costs. The mortgage investors Freddie Mac and Fannie Mae raised the limits on loans they buy, allowing more people, even first-time home buyers, to qualify for loans with lower down payments. And more buyers moved inland, where single-family homes were available at more affordable prices.

Table 8

Home Sales by County in 2000

County	Single-Family Residences: No. Sold	Median Price (000)	Price Change*	Condominiums: No. Sold	Median Price (000)	Price Change*	Price per Sq. Ft.**
Los Angeles	81,318	$205	10%	22,549	$154	3.7%	$153
Orange	30,119	$289	12%	13,778	$175	9.4%	$174
Riverside	25,536	$139	12%	5,613	$136	12.0%	$93
San Bernardino	27,382	$115	8%	2,518	$101	14.8%	$85
Ventura	8,843	$265	14%	3,733	$169	10.5%	$166
Total	**173,198**			**48,191**			

* Price change from 1999 ** Price per sq. ft. for median home

Source: DataQuick

M I T C H E L L   B .   M E N Z E R

Housing Southern California: Smart Growth Strategies for a New Era

essay

Southern California is presently in the midst of a housing crisis which, if not addressed quickly, could threaten our future economic prosperity and impede social progress.

Our housing crisis has many facets. First, housing production dropped sharply in the 1990s. As the Southern California Study Center recently reported, "Overall, housing production during the 1990s was only 400,000 units for the region, compared with almost 1 million units in the 1980s. Most of this drop came in multi-family units, which fell from 470,000 units built in the 1980s to only 120,000 units built in the 1990s."[1] Thus, in the 1990s, only 25% of the total units produced in Southern California were multi-family units compared to almost 50% of the units in the 1980s.[2] According to the Southern California Association of Governments, the region must construct 58,400 additional housing units each year to keep pace with population growth. However, since 1991, new single and multifamily home production in Southern California has averaged just 42,000 units per year.[3]

While some of the drop in housing production can be explained by the recession of the early 1990s, even in the booming economy of the latter half of the decade housing production has not returned to levels sufficient to meet demand. The city of Los Angeles has experienced a more severe drop in housing production, issuing building permits for only 1,900 units in 1999 in a city that grew by 65,000 people that year.[4] Although housing production increased to approximately 2,900 units in 2000, that output remains well below the 14,000 to 18,000 units of market rate and affordable housing Los Angeles needs to produce each year. Moreover, Southern California has produced far too little housing to keep up with job growth. Between 1994 and 1998, Southern California added over five new jobs for each unit of housing, more than three times the 1.5-to-1 ratio recommended by most housing policy experts.[5]

Second, we have an affordability crisis, particularly at the low and middle-income levels. Home prices are so high in Southern California that the average newly formed household in Southern California would have to nearly double its income to qualify to buy the median priced home. Only 37% of Southern California households could afford to purchase a median priced home in 1999, compared to 55% in the United States as a whole.[6] The affordability crisis is particularly acute for low and moderate-income households in the urban areas of the region. In Los Angeles, the majority of the City's households are renters who are paying higher percentages of their incomes for rent than anyone else in California.[7] Forty-eight percent of low-income renters in Southern California must either pay more than half of their income for rent or live in inadequate housing.[8] The affordability crisis is exacerbated by the fact that household incomes have stagnated over the last decade and have been outstripped by rising housing costs.[9] In addition, the affordability problem has grown even worse in the last twelve months as home prices and residential rents have reached record highs.

Third, home ownership rates in Southern California are too low. While a booming economy and low interest rates drove the home ownership rate in the United States to an all-time high of 68% in 1999, the home ownership rate in the metropolitan Los Angeles area remains stagnant at 49%, the lowest of any metropolitan area in the nation other than New York.[10] In the city of Los Angeles, the home ownership rate is only 39%.[11] As a result, many Southern Californians are missing out on the financial benefits of owning a home: equity appreciation, state and federal tax subsidies from the mortgage interest deduction, home equity borrowing power, and forced savings from monthly mortgage amortization. At the same time, civic involvement and social stability are diminished in Southern California because a relatively small percentage of our citizens have an ownership stake in their community by virtue of home ownership.

Finally, Southern California has produced new housing at large distances from where jobs are being created. While tremendous job growth has occurred in the western part of Southern California, the bulk of the new housing has largely been single-family housing in the eastern part of the region.[12] The jobs-housing mismatch produces long commutes and enormous traffic congestion. As the Southern California Study Center recently concluded in its report Sprawl Hits the Wall, "Simply put, the region is building the wrong type of housing in the wrong location at the wrong price for the population and economy it now has. Homebuilders in the region remain in the suburban mode, following land availability and buying power rather than population growth and need."[13]

Furthermore, our population will continue to grow. By now we are all familiar with the projected population increases in Southern California by the year 2025: almost 6 million new residents in the Southern California region bringing total population in 2025 to 22.6 million. To better dramatize the effect of the population increases, imagine every person in the State of Washington (population 6 million) and their 3.3 million cars moving to Southern California over the next 20 years. Southern California's population will grow more in the next two decades than it did in the 1950s, 1960s and 1970s combined. An equally dramatic way to think of the population increase is to contemplate nearly 1,000 people moving to Southern California every day for the next 20 years. Translated to housing, this means that over 2 million new households will be created and will need housing by the year 2025. In the next few years, Southern California's population will experience a dramatic increase in the age group that forms households and seeks to purchase its first home. Accordingly, the region will experience an enormous housing demand for already scarce resources in the next three to five years.

Notably, most of our population growth will come from natural increase (births exceeding deaths) rather than people moving here from other areas. In addition, the engines of Southern California's economic growth—international trade through our ports and airports, manufacturing, innovation in high technology, and a world-class system of higher education—will remain strong. As a result, Southern California does not have a "no growth" alternative. An anti-growth strategy based on "if we don't build it, they won't come," is simply not feasible and will only result in a declining quality of life.

Of course, these population trends are not new to Southern California. Population growth in the metropolitan Los Angeles region has increased steadily for the last 50 years. However, growth in the next 20 years will be different in at least one important way: for the first time in our history, metropolitan Los Angeles is running out of developable land. A recent analysis by the California Department of Housing and Community Development found that Los Angeles and Orange Counties do not have sufficient raw land to accommodate expected population growth and housing demand in the next 20 years.[14]

To a great extent, we have expanded to our topographic limits—the mountain ranges to the north and east and the ocean to the west. While Southern California has always grown by expanding throughout the coastal plain and then spreading to the next valley, the coastal plain is largely built out and we have run out of undeveloped valleys. Furthermore, habitats supporting endangered species l imit development of open land on the fringe of much of Southern California, particularly central and southern Orange County and western Riverside County. Similarly, communities in the western portion of the region, particularly Ventura County, have enacted urban growth boundaries, agriculture protection ordinances and other slow-growth measures, which will impede new population growth to the west. As a region facing an era of continued population growth, we are rapidly running out of land to expand using the development patterns of the past.

To understand the severe social and economic gridlock that results from a failure to build sufficient housing affordable to all income levels, one should visit Silicon Valley. Since 1992, the Silicon Valley region has added more than 275,000 jobs, but has created only 54,600 housing units, or only one housing unit for every five jobs. In 1999, the Palo Alto area produced 19 jobs for every one housing unit. Because of skyrocketing home prices, fewer homes are affordable to median-income households. In Silicon Valley, only 27% of the region's households can afford to purchase the median priced single family home, compared to the national average of 55%.[15] The median single-family home price in Santa Clara County hit $577,000 in April 2000, up 45% in one year.[16] In Silicon Valley, only 16% of the homes are affordable to median income households.[17] Five metropolitan areas in the Bay Area are among the six least affordable housing markets in the United States. San Francisco has the worst housing market with only 12% of the homes being affordable to median-income families.[18] The result, of course, is that even California's leading technology companies have difficulty attracting and retaining employees because workers cannot afford, even at Silicon Valley's high salaries, to buy or rent housing near their jobs. The problem is even more severe for public employers and non-technology sector employers in Silicon Valley. The middle class—teachers, secretaries, paramedics, police officers, carpenters—are unable to afford housing in the communities they serve. Residential market pressures have driven Silicon Valley workers to live in the San Joaquin Valley where some cities exist primarily as bedroom communities for residents who work 80 to 100 miles away in Silicon Valley. As a result, the traffic congestion and severity of commutes in Silicon Valley have reached epic proportions. Because the commutes of their employees are so lengthy, some police departments in Silicon Valley have moved from five 8-hour shifts to three 12-hour shifts with police officers sleeping in dormitories between shifts and then returning to their families for 4 days.[19] Palo Alto operates a vanpool that carries city employees to and from their homes in the San Joaquin Valley. Moreover, by pricing middle and lower income families out of the market, the housing crisis threatens Silicon Valley's continued economic vitality and creates social rifts between income groups.

All of these trends—continued population growth, a dearth of raw land, a shortage of affordable housing for lower and middle income groups, low home ownership rates, and a jobs-housing imbalance—point in one direction: Southern California needs to develop new methods for building high-quality, higher density housing in existing urban areas, particularly in inner ring suburbs. In short, because we will be unable to accommodate future growth solely by building low-density single family homes on the region's fringes, the future of Southern California lies with fostering new patterns of growth.

While infill housing in existing urban areas has great potential to successfully address Southern California's future housing needs, it also presents significant challenges, particularly when compared to the relative ease and cost advantages of building low-density housing on the urban fringe. A recent policy forum conducted by the Urban Land Institute-Los Angeles District Council identified five main barriers to infill housing: (1) local governments are unlikely to support new housing because the cost of providing services to residents (such as police and fire protection, water, sewer, roads and other infrastructure, schools, parks and libraries) is usually outweighed by the small share of property taxes returned to the local government, (2) assembling land for infill housing development is time consuming and expensive, (3) neighbors and home owner groups often vigorously oppose new housing development, (4) obtaining land use approvals and other entitlements under zoning codes and land use procedures designed for the low density, 1960s style suburban model is overly complex and lengthy, and (5) designing high quality infill housing is more challenging, particularly in creating sufficient open space, recreational facilities and other amenities to mitigate greater density. Taken together, these barriers mean that building housing in existing urban areas is likely to take longer and cost more than typical low density housing on the suburban fringe.

How can we solve the housing crisis and avoid the nearly intractable problems of Silicon Valley? First, we must recognize that even in a period of low interest rates, plentiful capital and robust economic growth, our current system of entitling and building housing does not produce sufficient amounts of housing for all income levels. To solve the housing crisis, we must eliminate existing barriers to new housing development and create new incentives. Second, we must acknowledge that housing production is heavily influenced by the land use decisions of local governments. Because housing starts flow from local government approvals, we need to give local governments new fiscal tools, financial incentives and planning resources to address the housing crisis. Finally, we should think of housing not merely as a consumer good produced by the private sector but as infrastructure that is critical to the economic and social well being of the region and is worthy of public investment. Just as California's energy crisis has brought a newfound consensus to invest public resources, build new energy generating capacity and conserve energy, we must forge a similar consensus with respect to housing. Indeed, a compelling argument can be made that high housing prices, low home ownership rates and long commutes have a greater negative effect on our economy than the recent increases in electricity rates. Southern California needs to reach consensus that quality housing is crucial to the stability of neighborhoods, our quality of life and the economic success of the region and that we must commit the resources necessary to build adequate amounts of housing for all income levels.

New Fiscal Tools and Incentives. We will need to create new fiscal tools to provide adequate incentives for local governments to support housing. As a priority, we need to reverse or at least neutralize the "fiscalization of land use" which, under California's system of local government finance, encourages local governments to build sales tax-producing retail uses and discourages development of housing. Numerous ideas have been advanced to reduce or eliminate the disincentive for housing—such as allowing local government to trade a portion of its sales tax allocation to the state for a portion of the state's property tax allocation, sharing sales and property taxes on a regional basis to eliminate inequities in property tax values, or simply returning a larger share of property taxes to local government. In light of the consensus view that the current property tax allocation system distorts land use decisions to the detriment of new housing and neighborhood revitalization, it is time for California to engage in a serious effort to improve our system of local government finance in order to facilitate housing.

Beyond eliminating the fiscal disadvantages of residential development, we can also create new fiscal incentives to encourage local government to approve more housing and to build it closer to job centers and transportation facilities. For example, the state could encourage construction of housing near job centers by allowing local governments to keep a larger share of the tax increment generated from such new housing. To further encourage smart growth housing development, the local government's share could be increased if the housing is near transportation, includes affordable housing for low and moderate income families, and is matched by local government investment in neighborhood parks, recreation facilities or other open space. Similarly, local governments that improve their job-housing balance could receive a greater share of state funds earmarked for smart growth development—parks, open space, recreational facilities or transportation infrastructure. Incentives also create opportunities to leverage public investment in neighborhoods by combining new housing with new schools, parks and other neighborhood improvements.

In addition, California should devote more of the state's economic resources to housing through general fund allocations, state pension fund investments, additional housing bond issuances and innovative tax incentives. California lags behind most other major states in funding housing programs. State spending on housing dropped substantially over the last decade from 0.7 percent of total spending in 1991 to 0.2 percent of total spending in 2000. California presently has no funds available from state housing bonds. California's single tax preference for renters was phased out between 1993 and 1997.[20] While the 2001 state budget includes $500 million in new housing programs, the allocation is a one-time expenditure and it appears that the energy crisis may severely limit budget commitments to housing in the near future.

We should also make available to existing urban areas and inner ring suburbs the same opportunities to take advantage of tax exempt financing for neighborhood revitalization that are available to new suburban developments on the urban fringe. Just as new suburban developments can easily utilize Mello-Roos financing to provide low-cost, tax exempt bonds for new infrastructure, existing urban areas need new financing powers to issue low-cost bonds to retrofit existing neighborhoods to accommodate increased density. Presently, the complexity of forming Mello-Roos and other tax assessment districts in existing neighborhoods impedes the ability of local neighborhoods to finance their own revitalization. Just as commercial areas have the ability to organize business improvement districts, residential communities need the ability to create neighborhood improvement districts that could finance neighborhood revitalization and new community facilities.

Expanded Community Redevelopment Authority. In order to allow local governments to promote new housing development, we also need to create new powers for cities and towns to assemble land and finance residential development. Over the past decade, legislation has limited the powers and financial strength of community redevelopment agencies. For example, in the last decade, the legislature has restricted redevelopment agencies by tightening the definition of "blight," imposing time limits on the life of the project area, limiting the agency's ability to incur debt, repealing the authority of agencies to receive sales tax revenues, and, most importantly, limiting the amount of tax increment that can be received by the agency. In some respects, the restrictions have gone too far and have rendered community redevelopment agencies ineffective at addressing housing needs. In particular, development of housing does not typically produce large amounts of tax increment compared to retail or commercial development. In light of the housing crisis, we need to recognize that community redevelopment agencies are among the few agencies with the legal authority to assemble land for residential development, the capability to plan and design communities and, by virtue of its ability to raise tax increment financing, the financial ability to foster new housing. If California is serious about producing more housing in existing urban areas, we should strengthen and expand the capabilities of community redevelopment agencies to create needed housing. For example, the state could authorize a new mechanism to expedite the formation of project areas devoted solely to redeveloping housing. Rather than having to make broad findings of physical and economic blight over the entire project area, the agency could make focused findings about blighted housing in a specific neighborhood and form a project area only as it relates to the blighted housing. In addition, the legislature could allow redevelopment agencies to retain a greater share of the tax increment from redeveloped housing as long as the funds were reinvested in additional housing.

Regional Coordination. We also need to recognize that housing needs must be addressed on a regional basis. Currently, California law mandates that local governments must conduct a regional housing needs assessment and adopt a housing element as part of its general plan to accommodate housing growth. However, the state does not have the power to impose any meaningful disincentives on those local governments that fail to adequately plan for or build needed housing. Similarly, financial incentives are needed to coordinate achieving a better jobs-housing balance on a regional basis. Housing should be viewed as part of a larger neighborhood revitalization effort that could include new schools, parks and recreation and transportation facilities. In Southern California's fractured jurisdictional landscape, joint powers authorities and joint use arrangements between cities, school districts, transportation agencies and non-profits will be necessary to coordinate the construction and shared use of these facilities.

New Resources to Increase Home Ownership. Just as California invests in public infrastructure such as schools, roads and parks, it should invest in neighborhoods and cities by increasing home ownership. For example, the state, in collaboration with Fannie Mae and other financial institutions, could provide loans to allow first time home buyers to make a down payment or cover closing costs. The assistance could be secured by a subordinated mortgage, which would be repaid on sale or refinancing. The amounts repaid could then be recycled to fund down payments for other first time home buyers. In addition, California could provide additional home ownership assistance to public employees like firefighters, police officers and teachers who will live in the communities they serve. Similarly, the state could provide tax credits and other tax-based incentives for closing costs or down payment assistance to first time home buyers. As a neighborhood improvement strategy, assistance to first time home buyers could also be targeted in urban neighborhoods that are making investments in new parks, schools or transit facilities. Finally, local governments will need to enlist financial institutions to perform the challenging task of qualifying first time home purchasers and structuring mortgage loans to meet their individual financial abilities.

New Planning Tools and Resources. Presently, most zoning codes and general plans in existing urban areas are poorly suited for higher density infill residential development. For example, most existing zoning codes do not permit higher density infill housing or mixed use development and the approval process requires numerous variances, zone changes and general plan amendments. For example, cities should create new zoning tools to convert older, economically obsolete commercial strips to infill residential and mixed-use projects. Moreover, in order to be successful, amending zoning codes and revising general plans requires a substantial investment in community-based planning. Local communities need to be extensively involved in the process of planning for new residential development and necessary amenities like parks and schools to mitigate density. Retrofitting existing urban neighborhoods to accommodate additional density will require substantial increases in planning department resources. California and local governments should invest in local planning departments by giving them the technology, expertise and resources needed to plan for better urban residential development. Most importantly, local planning departments will need to work with architects and urban designers to create design solutions and refine planning principles that accommodate density while improving the public realm by enhancing open space, streetscapes and the quality of life in a neighborhood.

Delay and uncertainty in entitling new housing lengthens the time required to produce housing and increases costs. Local governments will need to devise new methods to expedite the approval of housing development without sacrificing sound planning and environmental quality.

Solving the Construction Defect Liability Problem. Because of the region's increasing density, Southern California will need to build attached housing in order to meet housing demand and provide home ownership opportunities. Presently, most architects, engineers and developers refuse to build attached for-sale housing because of threatened construction defect litigation and the lack of construction defect insurance available at commercially reasonable rates. Clearly, the state needs to create a more balanced legal liability scheme that permits the construction of attached housing while adequately protecting the consumer against construction defects.

Obviously, creating sufficient housing in Southern California presents enormous challenges. In addition to fiscal and land use constraints, gaining public support for new housing and greater density remains a crucial challenge. Leaders from both the public and private sectors must present an attractive vision of the future of Southern California and articulate a compelling case for changing old patterns of growth in Southern California.

Fortunately, there is a growing consensus among Southern California's major stakeholders that smart growth principles present the best opportunity for the region to grow in a manner that can sustain the economy and improve the quality of life. Most importantly, groups that in the past have battled over growth issues are discovering common ground, particularly around the idea of promoting residential infill development in existing urban areas. Environmental and conservation groups recognize that fostering infill development in existing urban areas reduces the strain on the environment and protects habitats and open space on the urban fringe. Residential developers and architects are also becoming adept at the technical skills needed to rehabilitate and build attractive higher density housing.

Developers are eager to pursue residential development opportunities in existing urban areas, including the inner city. The business community appreciates the importance of providing adequate housing close to jobs in order to retain employees and sustain economic growth. Civic leaders in downtowns and inner ring suburbs understand that a key part of their redevelopment strategy relies on promoting residential development to bring in new investment and vitality. Community development groups and social equity advocates recognize that an effective urban policy can level the playing field between urban and suburban areas.

At the same time, stakeholders will need to compromise and collaborate with other interest groups to achieve their goals. For example, the California Environmental Quality Act, if strictly applied to housing development in existing urban areas, delays housing production and drives up housing costs. Environmental groups will need to support improvements in CEQA in order to expedite housing development in existing urban areas. Developers also need to recognize the environmental and economic value of preserving open space and other important environmental assets. Environmental groups and developers can work together on a regional basis to preserve open space and critical habitat while at the same time defining with certainty those areas that are available for new development. Most importantly, a broad coalition of business interests, environmental groups, community groups and social equity advocates could be successful in obtaining financial resources from the state to increase housing production and in changing state and local policies which impede housing. While the challenges posed by Southern California's housing crisis cannot be overstated, major stakeholders working together in a true partnership may be able to bring about the policy changes needed to solve the housing crisis and advance their own interests.

Mitchell B. Menzer is the Co-Chair of the Smart Growth Steering Committee of the Urban Land Institute-Los Angeles District Council and a member of the Los Angeles City Planning Commission.

Essay Sources

1 Southern California Study Center, *Sprawl Hits the Wall*, (2000) p. 23

2 California Budget Project, *Locked Out! California's Affordable Housing Crisis*, (2000), p. 8

3 Southern California Study Center, *Sprawl Hits the Wall*, (2000) p. 23

4 The Planning Report, (November 2000), p. 12.

5 California Budget Project, *Locked Out! California's Affordable Housing Crisis*, (2000), p. 39.

6 Southern California Association of Governments, *State of the Region, (2000*), p. 51.

7 In *Short Supply, Recommendations of the Los Angeles Housing Crisis Task Force*, (2000), p. 5.

8 Southern California Study Center, *Sprawl Hits the Wall*, (2001), p. 22.

9 California Budget Project, *Locked Out! California's Affordable Housing Crisis*, (2000), p. 14.

10 Southern California Study Center, *Sprawl Hits the Wall*, (2000), p. 22.

11 *In Short Supply, Recommendations of the Los Angeles Housing Crisis Task Force*, (2000), p. 8.

12 Southern California Study Center, *Sprawl Hits the Wall*, (2001), p. 23.

13 Southern California Study Center, *Sprawl Hits the Wall*, (2001), p. 43.

14 California Department of Housing and Community Development, *Raising the Roof*, (2000), p. 60.

15 California Budget Project, *Locked Out! California's Affordable Housing Crisis*, 2000 p. 28.

16 William Fulton and Paul Shigley, *Dearth Valley*, Planning, (July 2000).

17 Henry Cisneros Speech to Urban Land Institute, Los Angeles, April 4, 2001.

18 William Fulton and Paul Shigley, *Dearth Valley*, Planning, (July, 2000).

19 Henry Cisneros Speech to Urban Land Institute, Los Angeles, April 4, 2001.

20 California Budget Project, *Locked Out! California's Affordable Housing Crisis*, (2000), p. 46.